1	2	3	4	5
	6. Southern Region	77.7	83.6	87.3
30.	Andhra Pradesh	75.1	82.0	87.6
31.	Karnataka	74.1	76.8	77.5
32.	Lakshadweep	9.7	113	102
33.	Tamil Nadu	98.4	105.9	1123
34.	Kerala	55.8	61.7	63.6
35.	Pondicherry	382	44.7	472
	ALL-INDIA	663	715	75.0

Decline in interest rate of home loans

*273. SHRIMATI JAYA BACHCHAN: Will the Minister of FINANCE be pleased to state:

whether it is a fact that interest rate on home loans has declined;

if so, the number of occasions on which it has declined during the last one year;

whether it is also a fact that the benefit of declined rate of interest is not being passed on to the existing borrowers; and

if so, what are the reasons for differential rate of interest for existing as well as new borrowers?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) According to reports received from Public Sector Banks the rate of interest on home loans has -been reduced by several banks during the last one year. The number of times the interest rate on home loans was reduced by these banks has varied from once to three times.

(c) and (d) Reduction in interest rates is expected to benefit borrowers of home loans. Banks generally offer two types of home loans, namely, home loans on fixed rate of interest and home loans on floating rate of interest. In the case of fixed loan product, the rate of interest is fixed for a specified period of time where after it is reset. Depending on the Benchmark Prime Lending Rate (BPLR) and the spread the fixed rate of interest on home loan for a new customer would be determined. Thus under fixed rate of interest a new customer may obtain a home loan at a different rate from an old customer.

For floating rate home loans, the rates are quoted with a spread in relation of BPLR and the applicable rate changes as and when the BPLR is revised. However, the existing customer of a floating rate home loan is affected only when the change in rate of interest is on account of change in BPLR. On account of market competition banks may revise the spread from time to time. Banks may also offer different rates through promotional campaigns by altering the spread between the benchmark rate and the lending rate of attract new borrowers.

This explains why there could be a different rate of interest between new and existing borrowers and why a new borrower may get a home loan at a different rate from an earlier loanee.